



**2011**

**Annual**

**Report**

# Letter from the Executive Director

Dear Stakeholders,

At the close of 2011, a wave of factory strikes swept China, from the Pearl River delta up to the Yangtze River delta. Demand slowed, raw materials' prices rose, and factories cut labor costs to survive. Yet the major cause of the strikes was actually authoritative factory management – the constant alienation of workers from their employers as they work long hours for low wages in poor conditions. As factories downsized, slashed bonuses, and abruptly announced relocations, workers went on strike as much to protest the top-down approach taken by factory management as to the cuts themselves. To support workers' awareness of their rights, CLW staff in Shenzhen operated a legal inquiry hotline and held regular legal trainings.

CLW investigated over 50 factories in 2011, and released eight public reports targeting dozens of brands, as well as reporting on strikes and other major events. Following each factory investigation, CLW made its findings known to relevant stakeholders including auditing companies that missed the violations, social responsibility certification programs that accepted the audits, brands with sourcing in the factories, and the factories themselves, to hold all parties accountable for claiming to meet standards when they really failed. In many cases, CLW secured commitments to address the specific problems our reports unveiled. The challenge is for brands to identify problems independently, through audits free of corruption.

CLW's greatest setback in 2011 came from a major auditing company. Intertek reneged on a confidentiality agreement and published the name of a CLW source, who was subsequently harassed and forced to leave the Pearl River Delta region altogether. CLW is suing Intertek for its behavior.

CLW's partners in the labor movement like Peoples Solidaires multiplied our advocacy efforts with directed campaigns. Factories, brands, and other groups engaged us in constructive dialogue.

Without support from volunteers and donors, CLW's work would not be possible. Thank you for working with us to improve conditions for workers in China.

Sincerely,

A handwritten signature in black ink, appearing to be 'Li Qiang', written in a cursive style.

Li Qiang  
Executive Director

# Acknowledgements

CLW would not be able to carry out its work without the contributions of the following supporters, who share our commitment to making social and economic justice a reality for workers in China. We would like to acknowledge the generous support from the following organizations and individuals during the year 2011. Donations from anonymous donors in 2011 are also gratefully acknowledged.

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# Electronics Industry



In 2011, CLW released three major reports analyzing the electronics industry. In February, CLW released a report on MSI, pictured above, a supplier for Dell, HP, NEC and other brands, with its own brand as well, which produces motherboards and graphics cards. In the report, CLW highlighted violations of MSI's own Code of Conduct, of Dell's and of HP's, including:

- Discrimination against recruits who are male, older or test positive for Hepatitis B
- Only 1-2 days of rest per month during the busy season
- 75 hours monthly overtime in peak season, unpaid overtime until daily production quotas met
- Poor dormitory conditions
- Belittlement by managers, strictly enforced “no talking” rule and no bathroom breaks at work

MSI thanked CLW for its investigation and outlined steps for improvement

In June, CLW released a second major report on BYD, one of the three largest major manufacturing companies operating in China (along with Foxconn and Flextronics), producing mobile phone components, automobiles, IT and renewable energy, with main clients including Nokia, Motorola and Samsung. In the report, CLW compares BYD's labor model to 19<sup>th</sup> century sweatshops -- in both cases, migrant workers do not earn enough to support a life in the city and are unable and unwilling to return to their hometowns. CLW also focused its analysis on BYD's corporate growth, including Warren Buffet \$225 billion investment in 2008. BYD's growth is supported by high intensity labor, which results in high turnover, and CLW found that the majority of workers stay less than a year. CLW's report on 3 factory campuses found:

- 80- 144 hours of overtime in peak production, and 0-2 day of rest per month
- Workers at the Huizhou campus sometimes required to work 12:30-6 with no break
- Numerous suicides in 2009-10

## Tragedies of Globalization: The Truth Behind Electronics Sweatshops

CLW investigated 10 electronics factories in Guangdong and Jiangsu provinces seven of which produce for Dell and eight for HP, and others for Salcomp, IBM, Ericsson, Philips, Microsoft, Apple and Nokia. CLW identified widespread issues across the industry in its report:

- 36-160 hours of overtime per month, 9 of 10 factories in excess of Chinese labor law
- Forced overtime
- Several factories did not sign labor contracts or withheld them from employees
- Discrimination against workers on the basis of gender, age and Hepatitis B infection
- High intensity labor and militant management strategies



The report highlights that electronics factories are not sterile environments, but employ sweatshop conditions. It explains how these abuses are entrenched in the production model, with tech companies reaping the greatest profits while production workers do not earn a living wage.

### Company Responses:

Philips recognized one of two investigated suppliers and described its remediation process

HP thanked CLW but did not address any concrete violations from our reports

Salcomp denied production in factories identified by CLW

# Apple and Foxconn

Apple and Foxconn's unsustainable production model of just-in-time orders at cutthroat pricing placed growing demands on workers. Major strikes and tragic accidents in 2011 underscored the need for change in these industry giants, and CLW maintained its campaign for change.

## Explosions Kill Workers at Foxconn, and Apple Supplier Riteng

CLW was especially concerned by fatal explosions in May at the Foxconn factory in Chengdu then in December at the Riteng Factory in Shanghai, both suppliers for Apple. The blasts occurred in the polishing workshops where the iPad2s gain their metal sheen. In Chengdu, the explosion killed 3 workers and hurt 15. In Shanghai, 61 workers were hurt in an accidental explosion and 23 were hospitalized. Both factories were expanding their production capacity and trying to win more orders from Apple.

## Strikes at Apple Suppliers Reveal Systemic Problems

Strikes at two Apple suppliers revealed illegal conditions and mismanagement.

In July workers at Hi-P's Shanghai factory went on strike to protest layoffs, pictured right. Again in December, 1,000 workers went on strike to protest after the factory threatened to terminate workers without severance if they wouldn't relocate to a new factory location.

In November, 1,000 workers at the Jingmo Electronics' Shenzhen factory went on strike. Its workers commonly worked from 100 to 120 hours of overtime a month, set up so it was never scheduled on Saturday when workers earn double pay.



## Robots at Foxconn Reflect Unsustainable Work Intensity

Foxconn's inhumane approach was embodied in a June declaration to replace workers with a million robots. Executive Director Li Qiang declared that this was not only unfeasible, but furthermore reflects Foxconn's disregard for their workers:

*There is a large turnover rate for Foxconn workers because of the increasingly militarized way in which they are managed by factory officials. This high turnover rate is a primary reason Foxconn has had difficulty recruiting workers and is now considering installing assembly robots. The crucial factor here is the treatment of Foxconn workers. Foxconn must decrease the labor intensity workers work under and provide each worker with the ability to live a dignified life, in order to keep them working in the factories.*

# Mattel

CLW teamed with France-based Peoples Solidaires and the Stop Toying Around initiative to put pressure on the toy industry giant Mattel after a tragic worker suicide on May 16th, 2011. Specifically, the campaign called for fair compensation for the deceased's family, compensation and apology for the beating of the deceased's family, measures to prevent further suicides, and respect for labor law.

**Worker Spotlight: Hu Nianzhen**, the mother of two children, worked 7 days a week for 11 hours a day under terrible conditions. The pressure to fill production quotas under Mattel's strict schedule placed enormous pressure on Hu Nianzhen. Asking for a few days leave from the factory, she was scolded by her workshop managers, who refused to give her even one day off. The mounting pressure, combined with an absence of any hope, ultimately led Hu to choose suicide to escape her torment. Despite numerous appeals and evidence, Mattel still refuses to take any responsibility for Hu Nianzhen's death and believes there is no connection between its business practices and her suicide.

CLW Executive Director Li Qiang himself worked in a Mattel factory as an investigator in 1998, where workers were paid 13 cents per hour, worked excessive hours without rest and frequently sustained occupational injuries and illnesses. Low pay, high intensity and dangerous work continue to plague Mattel's supply chain according to investigations released in September 2011 on two Mattel suppliers in Shenzhen and Dongguan, which found:

- Workers not given copies of the contract
- One rest day per month in busy season, up to 72 hours of overtime
- Extremely hot temperatures in the workshops, poor protection from hazardous materials
- High accident rate on the sewing machines, low work stools also cause back pain
- Unreasonable production quotas, no overtime paid until 80% of quota is met
- Managers are verbally abusive, have molested female workers



## Toy Industry

In a 2011 survey of toy factories, CLW identified long workdays, low salary, poor dorm and cafeteria conditions, hazardous work environments, discrimination, and abuse from managers as common problems throughout the industry.

# Strikes

CLW was involved in reporting on eight strikes in 2011. They ranged in size from hundreds to thousands of employees, and across industry with more than half in the electronics industry. The immediate causes of the strikes were in some cases illegal treatment during factory relocations or bonus cuts during the holiday season. In all cases, frustration with poor conditions and daily mistreatment further motivated workers to seek redress.

## 2011 Electronics Industry strikes Courtesy of [www.ChinaStrikes.com](http://www.ChinaStrikes.com)



The map at left displays electronics industry strikes in 2011, based on data collected by Chinastrikes.com. Between June and December, CLW reported on five strikes in the electronics industry. The majority of them took place in the Pearl River Delta, and as the map shows, this region experienced the greatest total on Chinastrikes. The largest strike that CLW investigated involved 8,000 workers in Nanjing in December, and CLW reported on another strike in Shanghai in November. The map ranks the Yangtze River Delta as the second most strikes.

## Slashed Bonuses, Relocations

In December, 8,000 workers went on strike at an LG supplier making LED screens, the largest strike CLW reported. Workers protested when year-end bonuses for Chinese workers were only one sixth as much as their Korean co-workers. Like most of the strikes, long hours and low wages contributed to workers' grievances.

In November, CLW reported on two strikes related to factory closure and relocation. 7,000 workers went on strike at a New Balance shoe supplier. The factory made regulations which eliminated bonuses as long as the factory suffered profit losses, then fired 18 managers in a move seen by workers to threaten relocation. 1,000 workers went on strike at Hi-P in Shanghai, a producer of Apple, HP, RIM and Motorola products, after it offered workers an ultimatum to quit without severance or move with the factory during a forthcoming relocation.



Workers at Guangzhou Alei Siti Auto Parts, pictured left, went on strike in December to protest cuts to their bonuses as well as long hours and poor conditions. The factory experienced another strike in April, which resulted in a raise increase.

### **Successful Strike Negotiations**

In May, Tandy Electronics a Radio Shack supplier of radio transceivers, metal instruments, audio equipment, phone accessories and other electronics had a strike of nearly 1,000 of 1,600 total workers. The strike resulted from insufficient compensation packages when the factory closed. Workers did succeed in negotiating somewhat higher severance packages.

In November, more than 400 workers went on strike at the Shenzhen Top Form Underwear Co., Limited factory against the factory's unfair piece-rate wage system and workers' unachievable daily production quotas. Despite the long work hours and high pressure to complete quotas, the factory does not pay its workers overtime wages. The workers did achieve better packages as a result of the strike.

## **Intertek Lawsuit**

Intertek is an international auditing firm, responsible for verifying that supplier factories meet the social responsibility standards of international brands. Auditor corruption is a common problem in the industry, and factories with awful conditions use bribes to pass inspection.

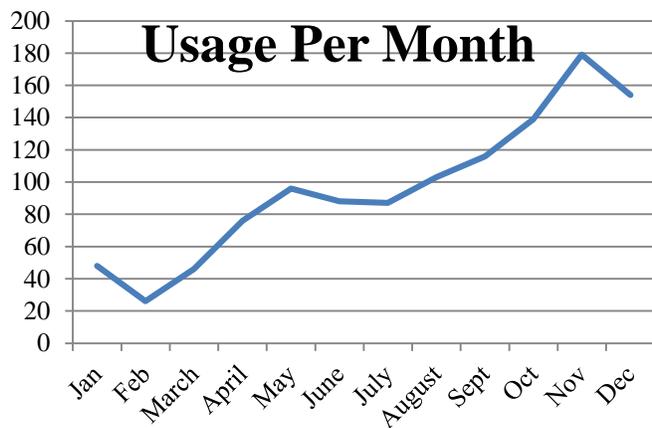
On conditions of strict anonymity, CLW introduced Intertek to a whistleblower in 2009, who reported an Intertek auditor demanding a bribe at Hang Fat Factory. Upon further third party investigation, conditions at the factory were indeed found to be subpar, its certification was revoked, and soon after the auditor resigned. In Intertek's May newsletter, published in both English and Chinese, they released the whistleblower's name and other information about what had happened. Subsequently, he received anonymous threats and visits from the police, and was forced to flee his personal life and livelihood in Shenzhen for his hometown in Sichuan.

In November, CLW filed suit against Intertek in the State of New York for breach of contract, libel, defamation, two counts of negligence, and interference with a business relationship, as well as injury and damages.

# Worker Hotline

CLW runs a free hotline service that workers can use to ask questions, voice grievances, and seek legal advice. CLW staff is trained to deal with a range of issues involving local labor law in Guangdong province, including labor contracts, wages and working hours, female worker protection, insurance, work relations, health and safety, living conditions, and benefits. In 2011, the hotline was a great success, handling 1158 queries.

CLW partnered with a brand to publicize the hotline throughout their supply chain and facilitate their workers' use of the service. CLW worked with factory management, workers and the brand to ensure the program's success, CLW promoted the hotline onsite at 21 factories in six localities (Shenzhen, Dongguan, Zhongshan, Guangzhou, Qingyuan and Huizhou). CLW distributed 18,000 brief legal brochures for workers, which provide essential information about basic labor laws and contact information for the hotline.

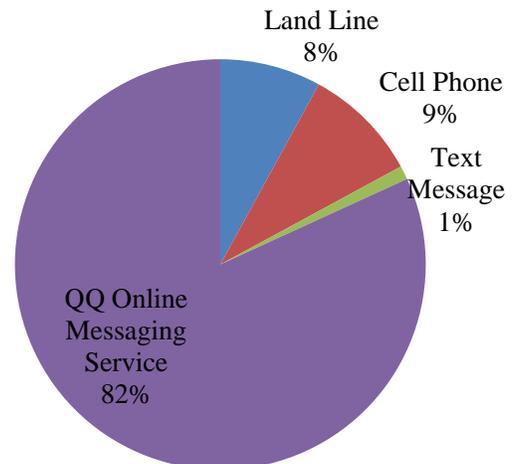


The graph to the left tracks usage of the hotline, which peaked during the peak production season of October to December, and declined in the month of February, when workers return to their hometowns for the New Year celebration. The steady increase of the hotline's usage over the course of the year also demonstrates its growing popularity.

By making the hotline available in several ways and especially through an online chat program, CLW encourages use of the hotline. This innovation was an important part of the hotline's high usage in 2012.

As the graph to the right demonstrates, workers access the hotline by land line, cell phone, text message, and the QQ online instant messaging service, which was by far the most popular method.

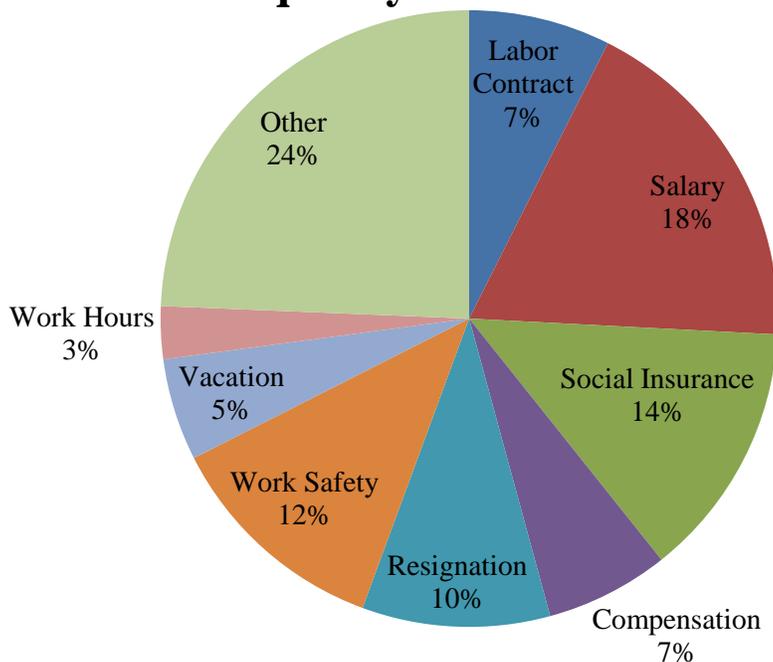
## Method of Interaction



The hotline achieves several purposes. Most importantly, it is a free and valuable tool for workers to gain more information about their legal rights, and assess how to handle illegal treatment at work. For workers at factories where CLW has an existing relationship with the management or brand, CLW is able to raise issues directly with management, which happened in 33 cases. Another benefit of the hotline is as a source of information on real-time issues facing workers, and on how to work with factory management to improve conditions.

Most of the queries (85%) were consultation; 7% were complaints and 8% were venting about issues with family, relationships and work. The chart below displays the work-related issues workers raised in the calls. Specific issues included salary (18%), social insurance (14%), work safety (12%) and resignation (10%), labor contract (7%), vacation (5%) and work hours (3%). 24% of the calls were related to other issues, including discussion of marriage, establishing a family, and negotiating a relationship while dealing with problems on-the-job.

### Frequency of Issues Raised



## Train the Trainer

CLW partners with legal experts in human rights and labor law to conduct legal training sessions to cultivate local labor activists in China on the most effective strategies for providing labor law training to workers. The program trained 50 labor activist leaders this year, and greatly contributed to workers’ legal knowledge.

# 2011 Audited Financial Statements

## *Revenues:*

Direct public support	\$180,108
Interest income	\$33
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Total revenues	\$180,141

## *Expenses:*

Program expenses – China	\$71,547
Officer salary	\$80,000
Office salary	\$23,888
Payroll tax & benefits	\$16,427
Travel & Entertainment	\$8,618
Rent	\$23,358
Telephone and internet	\$3,647
Office supplies and expenses	\$9,088
Professional fees	\$9,410
Dues and subscription	\$2,140
Insurance	\$1,097
Depreciation	\$1,748
Bank service charge	\$123
Postage	\$612
<hr/>	
Total expenses	\$251,703
(Deficit) for the year	-\$71,562
Net assets at the beginning of the year	\$145,602
Net assets at the end of the year	\$74,040

# Contribution Form

China Labor Watch is a not-for-profit organization. Your contribution allows us to continue to focus our work on labor conditions in China. Your contribution is tax deductible under Section 501(c)(3). We will send a receipt of your contribution if you complete the following information.

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